

AMENDED IN ASSEMBLY APRIL 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1786**

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**Introduced by Assembly Member Olsen**  
**(Principal coauthor: Assembly Member Perea)**  
(Coauthor: Senator Correa)

February 18, 2014

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*An act to amend Section 17072 of, and to add and repeal Section 17052.5 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1786, as amended, Olsen. ~~Income~~ *Personal income taxes: credit: deduction: education expenses.*

The Personal Income Tax Law allows various ~~credits against the taxes imposed by those laws: deductions in computing income that is subject to tax under that law.~~

This bill, *for taxable years on or after January 1, 2015, and before January 1, 2020, would state that it is the intent of the Legislature to enact legislation that would allow a credit against the taxes imposed by the Personal Income Tax Law or allow a deduction from gross income, not to exceed \$2,500, for the cost of education-related expenses of the taxpayer's dependent child or children attending public or private school, as specified.*

*This bill would take effect immediately as a tax levy.*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. The Legislature finds and declares all of the*  
2     *following:*

3     *(a) While ensuring the quality education of all of California's*  
4     *school children is a shared responsibility of the general public, it*  
5     *is foremost the duty of individual parents and teachers.*

6     *(b) Providing tax relief for citizens who shoulder an extra weight*  
7     *in pursuit of the common good has long been considered sound*  
8     *public policy.*

9     *(c) Every school year, kindergarten and grades 1 to 12,*  
10    *inclusive, parents across California pay at their own expense to*  
11    *obtain vital educational resources and services that are essential*  
12    *to those children entrusted to their parents' care.*

13    *(d) State education tax relief can help empower and engage*  
14    *low- and middle-income families in personally caring for their*  
15    *own school children's learning needs, which they know most*  
16    *intimately.*

17    *SEC. 2. Section 17052.5 is added to the Revenue and Taxation*  
18    *Code, to read:*

19    *17052.5. (a) For each taxable year beginning on or after*  
20    *January 1, 2015, and before January 1, 2020, there shall be*  
21    *allowed as a deduction an amount equal to the qualified amount*  
22    *that was paid or incurred for qualified education-related expenses*  
23    *for one or more dependent children by a qualified taxpayer during*  
24    *the taxable year.*

25    *(b) For purposes of this section:*

26    *(1) "Dependent children" means children who attend*  
27    *kindergarten or any of grades 1 to 12, inclusive, in California at*  
28    *a public, charter, or private school that has a current private*  
29    *school affidavit on file with the State Department of Education in*  
30    *the taxable year and who meet the requirements of Section*  
31    *152(c)(1)(D) and (E) of the Internal Revenue Code.*

32    *(2) "Qualified amount" means the amount paid or incurred for*  
33    *qualified education-related expenses, not to exceed the amount*  
34    *specified in subdivision (c).*

35    *(3) (A) "Qualified education-related expenses" means the*  
36    *kindergarten or any of grades 1 to 12, inclusive, costs of: textbooks*  
37    *and school supplies, including, but not limited to, pens, paper,*  
38    *pencils, notebooks, calculators, and rulers; the rental or purchase*

1 of educational equipment required for classes during the regular  
2 schoolday; school uniforms that are not part of a cocurricular  
3 activity; computers, computer hardware, and educational computer  
4 software used to learn academic subjects; fees for college courses  
5 at public institutions or independent nonprofit colleges, or for  
6 summer school courses that satisfy high school graduation  
7 requirements; psychoeducational diagnostic evaluations to assess  
8 the cognitive and academic abilities of pupils; special education  
9 and related services for pupils who have an individualized  
10 education program or its equivalent; out-of-school enrichment  
11 programs, tutoring, and summer programs that are academic in  
12 nature; and public transportation or third-party transportation  
13 expenses for traveling directly to and from school.

14 (B) “Qualified education-related expenses” shall not include  
15 any expenses for the items described in subparagraph (A) that also  
16 are used in a trade or business.

17 (4) “Qualified taxpayer” means a parent or legal guardian of  
18 a full-time pupil who is under 21 years of age at the close of the  
19 school year who meets both of the following requirements:

20 (A) Both the pupil and the parent or guardian reside in  
21 California when the qualified education-related expenses are paid  
22 or incurred.

23 (B) (i) The household income does not exceed 300 percent of  
24 the federal Income Eligibility Guidelines published by the Food  
25 and Nutrition Service of the United States Department of  
26 Agriculture for use in determining eligibility for reduced price  
27 meals.

28 (ii) Household income means gross income as defined in Section  
29 61 of the Internal Revenue Code.

30 (c) The total deduction allowed under this section to a qualified  
31 taxpayer shall not exceed two thousand five hundred dollars  
32 (\$2,500) in a taxable year. If more than one qualified taxpayer  
33 may be allowed this deduction for a dependent child, the sum of  
34 all deductions allowed under this section for that dependent child  
35 shall not exceed two thousand five hundred dollars (\$2,500) in a  
36 taxable year.

37 (d) (1) The Franchise Tax Board may prescribe rules,  
38 guidelines, or procedures necessary or appropriate to carry out  
39 the purposes of this section.

(2) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this section.

(e) This section shall remain in effect only until December 1, 2020, and as of that date is repealed.

SEC. 3. Section 17072 of the Revenue and Taxation Code is amended to read:

17072. (a) Section 62 of the Internal Revenue Code, relating to adjusted gross income defined, shall apply, except as otherwise provided.

(b) Section 62(a)(2)(D) of the Internal Revenue Code, relating to certain expenses of elementary and secondary school teachers, shall not apply.

(c) Section 62(a)(21) of the Internal Revenue Code, relating to attorneys fees relating to awards to whistleblowers, shall not apply.

(d) For taxable years beginning on or after January 1, 2015, and before January 1, 2020, the deduction allowed by Section 17052.5, relating to qualified education-related expenses, shall apply.

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

~~SECTION 1. It is the intent of the Legislature to enact legislation to allow a credit against the taxes imposed by the Personal Income Tax Law or a deduction from gross income for the cost of education-related expenses of the taxpayer's dependent child attending public or private school by allowing a nonrefundable credit in the amount of \$500 to families with income of 200 percent or less of the federal Reduced Price Lunch Program guidelines, and allowing a deduction from gross income in the amount of \$2,500 to families with income of more than 200 percent and 300 percent or less of the federal Reduced Price Lunch Program guidelines.~~